

## Appendix 4 - Specified and Non-Specified Investments

Investments are categorised as “Specified” or “Non-Specified” within the investment guidance issued by the Welsh Government.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the “high credit quality” as determined by the Council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The Council’s credit ratings criterion is set out in **Appendix 3** and will be consulted when using the investments set out below. Credit ratings are monitored on a daily basis and the Treasury Management Advisers advise the Council on rating changes and appropriate action to be taken.

The types of investments that will be used by the Authority and whether they are specified or non-specified are listed below.

Investment	Specified	Non-Specified
Debt Management Account Deposit Facility	✓	x
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts (UK Government)	✓	✓
Treasury Bills (T-Bills- UK Government)	✓	x
Bonds issued by Multilateral Development Banks	x	✓
Local Authority Bills	✓	x
AAA-Rated Money Market Funds	✓	✓
Other Money Market and Collective Investment Schemes	✓	✓
Council’s Banker	✓	x

### Council’s Banker

The Council banks with the Co-Operative Bank. At the current time, it does not meet the Council’s minimum credit criteria. The Co-Operative Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements. Officers endeavour, when dealing with the cash flow each day, to retain only a small amount in the bank account.

### Non-specified – Longer-term

Investments will be made only with institutions (e.g. multilateral institutions such as the European Investment Bank) with the highest credit ratings for long-term investments.

The proposed credit ratings are as follows:

Moody's Investors Service Limited	Aaa
Fitch Ratings Limited	AAA
Standard & Poor's	AAA

Multilateral institutions such as the European Investment Bank are fundamentally secure and, as a result, it is proposed that the limit with regard to these investments be the limit of long-term investments.

## **Authorisation for the in-house team**

### **A. Short-term Investments**

Due to the nature of the in-house team's duties, in that they need to respond to cash-flow fluctuations by dealing on the money market generally between 9.00am and 10.00am each day, it is impractical for each decision to be referred to the most senior management levels.

As a result, it is proposed that day-to-day decisions remain the responsibility of the Group Accountant (Financial Advice and Support) who is the *de facto* Treasury Manager. In the absence of the Group Accountant (Financial Advice and Support), the responsibility will pass to any of the appropriate line managers.

It is proposed that all Treasury Management decisions that arise from the daily cashflow will be supported by the completion of a pro-forma which will evidence compliance with the strategy.

### **B. Long-term Investments**

It is proposed that decisions regarding long-term investments be referred to the Head of Corporate Finance, as Chief Financial Officer after consultation with the Corporate Finance Manager and the Principal Group Accountant (Financial Advice and Support).

At all times, the advice of the Council's Treasury Advisers will be sought with regard to the appropriateness of such investments.

### **C. General Authorisations**

Whilst it is generally the intention to refer all decisions regarding long-term borrowing to the Head of Corporate Finance, there are times when to do so will risk the loss of a potentially advantageous deal, due to non-availability. This is particularly relevant to the raising of PWLB loans.

The Council's Treasury Advisers continually monitor the movement of interest rates and are able to predict the changes in PWLB rates. On occasions it may be necessary to respond to advice from the Advisers to take up PWLB loans (whether as part of the current years funding requirement, or as part of a rescheduling exercise) before interest rates increase and make the necessary application to the PWLB before their cut-off time. In these circumstances, it is not always possible to have access to the Head of Corporate Finance, at short notice, for approval.

As a result, it is proposed that, in the event that the Head of Corporate Finance is unavailable, the decision be referred, in the first instance, to the Corporate Finance Manager, then to Deputy Chief Executive, and finally to the Principal Group Accountant (Financial Advice and Support).

In the absence of all three, then the decision will be made by the Group Accountant (Financial Advice and Support) provided that the reason for the transaction is appropriately documented, falls within the approved annual strategy and prudential indicators, and failure to act upon the advice given would result in additional interest charges.

In all of the foregoing, it must be remembered that any action taken, based on a view of interest rates, can only be assessed on the data available at the time.